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Agricultural Transportation Challenges for the 21st Century

Cost Recovery on the U.S. Inland Waterway System

Paul Bertels

Issue

Like the interstate highway system, inland waterways in the United States have been constructed and are operated and maintained using Federal funds. Many people believe these Federal outlays are a subsidy to users of the waterway system. To counter this argument, the barge industry contends that: (1) the watersheds of the navigable rivers cover many States, and, therefore, these rivers do not belong to any single entity; (2) the navigable waterways and locks provide open access to any vessel, and commercial navigation is not given priority in lock usage; (3) river infrastructure provides many uses besides commercial navigation, including wildlife habitat, recreational facilities, municipal/industrial water supplies, and flood protection; and (4) barge operators are the only waterway users who pay into the Inland Waterway Trust Fund.

Regardless of the subsidy debate, the fact remains that the inland waterways are heavily reliant upon the Federal Treasury. There have been and continue to be a number of proposals to recover larger shares of the cash outlays for the system from the users of the system.

Background

Of growing importance to agriculture is the physical condition of the structures on the Mississippi and Illinois Rivers. There are currently 37 locks and dams on the Mississippi and Illinois Rivers above St. Louis, Missouri. The average ages of these locks are 55 and 60 years old on the Mississippi and Illinois Rivers, respectively. In addition, several of these locks have reached their design capacity. Technological advances in the towing industry now allow a single towboat to push a tow of 15 barges, which has an overall length of approximately 1,200 feet. However, only three locks on the system have 1,200-foot chambers. The remainder of the locks have 600-foot chambers, which require the standard tow to separate and "double-lock." Double-locking adds significantly to the time required to transit the lock, resulting in higher costs, longer delays, and increased congestion on the river.

The U.S. Army Corps of Engineers is currently involved in a multiyear, $49 million study to analyze the infrastructure needs of the Upper Mississippi and Illinois Rivers. This study will predict which locks, if any, should be replaced and the pace of those projects. The engineering portion of this study was completed in 1997. Estimates from this study show that a new 1,200- foot lock chamber could cost $115 to $520 million.

The *Inland Waterways Revenue Act of 1978* imposed a fuel tax on the barge industry which currently stands at 20 cents per gallon. The revenue generated by the fuel tax is use to cover 50 percent of the cost of new construction and major rehabilitation projects. It is important to note that the costs of all projects to date have been shared 50-50 by the Inland Waterway Trust Fund and the General Treasury. However, the formula used for any particular project is designated in the individual appropriations bill. Therefore, it is possible for the Inland Waterway Trust Fund to be used to pay for more or less than 50 percent of construction costs.

In addition to the costs associated with establishing the system, inland waterway operation and maintenance (O&M) costs are also paid by the U.S. Government. These costs include lock and dam maintenance, dredging and channelization projects, channel signaling, and like expenses. The Corps of Engineers has projected O&M costs of $433 million for the fuel-taxed waterways for 1998. Analysis of these costs by river ranges shows that the Upper Mississippi, Middle Mississippi, Lower Mississippi, and Illinois Rivers incur O&M costs which vary significantly by river segment; e.g., $88.4 million, $14.7 million, $36.5 million, and $23.9 million, respectively. These rivers, with the addition of the Ohio River ($58.7 million for O&M costs), are the leading arteries for waterborne agricultural traffic in the United States.

In an attempt to recoup O&M costs, the Clinton Administration proposed an additional $1-per-gallon fuel tax in 1993. This proposal met with significant resistance in Congress and was subsequently dropped from Administration budget proposals. Recent attempts to recover O&M costs have led the Corps of Engineers to conduct a study outlining plans for reductions in overall spending on waterway O&M.

Implications

As long as the Government continues funding portions of the inland waterway system, future debate on this issue will center around several key questions:

- Should the towing industry, through the Inland Waterway Trust Fund, pay more than 50 percent of the cost of new lock construction or major rehabilitation projects?

- Should new construction project starts by river range more closely reflect the

percentage of Inland Waterway Trust Fund collections attributed to the river range?

- Should the Government attempt to recoup O&M costs?

- If the Government attempts to recover O&M costs, should the towing industry be the only user of the inland waterway system to pay these costs?

The lowest cost method of transporting grain to export position is by barge and the returns to corn and soybean production in many areas are influenced by the availability of low-cost waterway transportation. Barge transportation also moves fertilizer and other agricultural inputs upstream to production areas, and provides competition to the nation's railroads by placing downward pressure on railroad rates. Consequently, how waterway funding issues are addressed in the future will have significant implications for U.S. agriculture.

Information Sources

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